WRITTEN ANSWERS TO STARRED QUESTIONS

Recovery of NPAs of Punjab National Bank

*125. SHRI K. KALAVENKATA RAO: Will the Minister of FINANCE be pleased to state:

(a) whether Punjab National Bank has given powers to its zonal managers to recover non-performing assets under a new one-time settlement scheme;

(b) if so, the main features of the scheme;

(c) whether this scheme is proposed to be introduced in other banks also; and

(d) whether defaulters will be given any benefit under this scheme?

THE MINISTER OF FINANCE (SHRI JASWANT SINGH): (a) Yes, Sir.

(b) to (d) a copy of Reserve Bank of India's guidelines on the subject applicable to all Public Sector Banks is enclosed as statement.

Statement I

Guidelines of Reserve Bank of India

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DBOP.BP.BC. 65/21.04.117/2002-2003 January 29, 2003

Chairmen and Managing Directors
of all Public Sector Banks

Dear Sir,

Revised guidelines for compromise settlement of chronic Non-Performing Assets (NPAs) of public sector banks

Please refer to our circular DBOD.BP.BC.11/21.01.040/99-00 dated 27th July, 2000, setting out the guidelines for compromise settlements of chronic NPAs up to Rs. 5.00 crore.

2. A review of compromise settlements of NPAs through the above scheme has revealed that the progress of recovery of NPAs through this mechanism has been moderate. In consultation with Government of India, it has been decided to give one more opportunity to the borrowers to come forward for settlement of their outstanding dues. Hence fresh guidelines are now issued, which will provide a simplified, non-discretionary and non-discriminatory mechanism for compromise settlement of chronic NPAs below the prescribed value ceiling. All public sector banks should uniformly implement these guidelines, so that maximum realisation of dues is achieved from the stock of NPAs within the stipulated time.

3. The revised guidelines will cover NPAs (below the prescribed ceiling) relating to all sectors including the small sector. The guidelines will not, however, cover cases of wilful default, fraud and malfeasance. The banks should identify cases of wilful default, fraud and malfeasance and initiate prompt action against them. Accordingly, in modification of guidelines set out in our Circular of 27th July, 2000, revised guidelines

for compromise settlement of dues relating to NPAs of public sector banks in all sectors are given below:

(A) Guidelines for compromise settlemnt of chronic NPAs up to Rs. 10.00 crore

[I] Coverage

(a) The revised guidelines will cover all NPAs in all sectors irrespective of the nature of business, which have become doubtful or loss as on 31st March, 2000 with outstanding balance of Rs. 10.00 crore and below on that cut off date.

(b) The guidelines will also cover NPAs classified as sub-standard as on 31st March, 2000, which have subsequently become doubtful or loss.

(c) These guidelines will cover cases on which the banks have initiated action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and also cases pending before Courts / DRTs / BIFR, subject to consent decree being obtained from the Courts / DRTs / BIFR.

(d) Cases of wilful default, fraud and malfeasance will not be covered.

(e) The last date for receipt of applications from borrowers would be as at the close of business on 30th April 2003. The processing under the revised guidelines should be completed by 31st October 2003.

[II] Settlement Formula - amount and cut off date

(a) NPAs classified as Doubtful or Loss as on 31st March 2000

The minimum amount that should be recovered under the revised guidelines in respect of compromise settlement of NPAs classified as doubtful or loss as on 31st March 2000 would be 100% of the outstanding balance in the account as on the date of transfer to the protested bills account or the amount outstanding as on the date on which the account was categorised as doubtful NPAs, whichever happened earlier, as the case may be.

(b) NPAs classified as sub-standard as on 31st March, 2000 which became doubtful or loss subsequently.

The minimum amount that should be recovered in respect of NPAs classified as sub-standard as on 31st March 2000 which became doubtful or loss subsequently would be 100% of the outstanding balance in the account as on the date of transfer to the protested bills account or the amount as on the date on which the account was categorised as doubtful NPAs, whichever happened earlier, as the case may be, plus interest at existing Prime Lending Rate from 1st April 2000 till the date of final payment.

[iii] Payment

The amount of settlement arrived at in both the above cases, should preferably be paid in one lump sum. In cases where the borrowers are unable to pay the entire amount in one lump sum, at least 25% of the amount of settlement should be paid upfront and the balance amount of 75% should be recovered in instalments within a period of one year together with interest at the existing Prime Lending Rate from the date of settlement up to the date of final payment.

[iv] Sanctioning Authority

The decision on the compromise settlement and consequent sanction of waiver or remission or write-off should be taken by the competent authority under the delegated powers.

[v] Non-discretionary treatment

The banks should follow the above guidelines for compromise settlement of all NPAs covered under the revised scheme, without discrimination and a monthly report on the progress and details of settlement should be submitted by the concerned authority to the next higher authority and their Central Office. Banks should go for wide publicity and also give notice by 28th February 2003 to the eligible defaulting borrowers to avail of the opportunity for one time settlement of their outstanding dues in terms of these guidelines. Adequate publicity to these guidelines through various means must be ensured.

[vi] Reporting to the Board

The banks should submit a report on the progress in the compromise settlement of chronic NPAs under the revised guidelines every quarter to the Board of Directors. A copy of the quarterly progress report should also be sent to us.

(B) **Guidelines for compromise settlement of chronic NPAs over Rs. 10.00 crore**

As already advised in our earlier circular dated 27th July 2000, CMDs should personally supervise the compromise settlement of chronic NPAs on case to case basis, and the Board of Directors may evolve policy guidelines regarding one time settlement of NPAs not covered under this circular as a part of their loan recovery policy.

4. Deviation only by Board of Directors

Any deviation from the above settlement guidelines for any borrower should be made only by the Board of Directors.

5. Please acknowledge receipt.

Yours faithfully,

Sd/-
(C.R. Muralidharan)
Chief General Manager

Statement II

Guidelines of Reserve Bank of India

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DBOD No. BP.BC 108 / 21.04.117/2002-2003 May 23, 2003

Chairmen and Managing Directors
of all Public Sector Banks

Dear Sir,

Revised guidelines for compromise settlement of chronic Non-Performing Assets (NPAs) of public sector banks

Please refer to our circular DBOD No. BP.BC. 65/21.04.117/2002-2003 dated January 29, 2003 setting out the guidelines for compromise settlements of chronic NPAs up to Rs. 10.00 crore. In terms of paragraph 3 (A) (i) (e) thereof, the last date for receipt of applications from borrowers was as at the close of business on April 30, 2003. The processing under the revised guidelines was required to be completed by October 31, 2003.

2. The Government of India and the Reserve Bank of India have received requests from banks for extending the time limit for operation of the guidelines. In view of the above, it has been decided, in consultation with the Government of India, to extend the time period for receipt of applications under the OTS Scheme from April 30, 2003 to September 30, 2003 and date of processing applications from October 31, 2003 to December 31, 2003.

3. Please acknowledge receipt.

Yours faithfully,

Sd/-
(Dr. N. Krishnamohan)
General Manager

Cargo theft at IGI airport

†*129. SHRIMATI MAYA SINGH: Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether it is a fact that Government are incurring financial losses due to theft of cargo being sent abroad from Indira Gandhi International Airport;

(b) if so, the details of losses incurred during the last three years; and

(c) what action has been taken or is proposed to be taken to check the same?

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI RAJIV PRATAP RUDI): (a) No, Sir.

(b) No claims in respect of loss of cargo while being exported were received by Airports Authority of India (AAI) at IGI Airport during the years 2000-01 & 2001-02. In the year 2002-03, only two claims were received of which one has been already settled by the insurance company engaged by AAI for an amount of Rs. 15,686/-. The second claim is to be settled by the shipper's insurance company.

(c) Cases of theft are reported immediately to police authorities for taking action as per law. Central Industrial Security Force has been inducted at IGI Airport Cargo Terminal to provide effective security and steps have been taken to strengthen airside security, overall surveillance, stringent verification of personnel, etc.

†Original notice of the question was received in Hindi.